



U.S. Department of Housing and Urban Development

The Impact of New NSP Definitions

Neighborhood Stabilization Program



Highlights

- A wider universe of properties should qualify for NSP funding
- Achieving the 25% low-income set-aside requirement should be more attainable
- Properties that may have **only** qualified under Eligible use E, may now qualify under Eligible use B
- Grantees will need to ensure that short-sale purchases comply with URA





Highlights cont.

- Relocation Requirements under URA and Tenant Protections still apply to NSP-assisted acquisitions
- The changes are retroactive to the submission of NSP1 Action Plans, if acquisitions met all NSP rules
- “Intermediary aggregators and servicers” may sell foreclosed properties to NSP grantees for a modest fee





New Guidance

Changes to definitions of “abandoned” and “foreclosed”

- April 2, 2010 new NSP2 Notice ([5321-N-04](#))
- April 10, 2010 new NSP1 Notice ([5321-N-03](#)).





New Definition of Abandoned

Abandoned — A home or residential property is abandoned if either:

- a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, **or**
- b) a code enforcement inspection has determined property is not habitable and owner has taken no corrective actions within 90 days of notice, **or**
- c) property is subject to court-ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property.





New Definitions of Foreclosed

Foreclosed — A home or residential property has been foreclosed upon if any **one** of the following conditions apply:

- a) the property's current delinquency status is at least 60 days delinquent, **or**
- b) property owner is 90 days or more delinquent on tax payments, **or**
- c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, or
- d) foreclosure proceedings complete and title transferred to intermediary aggregator or servicer that is not an NSP grantee, subrecipient, contractor, developer, or end user.





Differences Between Old and New Definitions

Abandoned

	Defined under October 6, 2008 Federal Register Notice		Defined under April 10, 2010 Federal Register Notice
All factors must be present	Mortgage foreclosure proceedings have been initiated OR Mortgage payments are at least at least 90 days delinquent	Only ONE factor must be present	Mortgage or tribal leasehold payments are at least 90 days delinquent
	Tax foreclosure proceedings have been initiated OR Tax payments are at least 90 days delinquent		Tax payments are at least 90 days delinquent
	Property has been vacant for at least 90 days		Code enforcement: uninhabitable and no corrective actions within 90 days of notification
			Property is subject to court-ordered receivership or nuisance abatement related to abandonment or meets state definition of an abandoned home





Differences Between Old and New Definitions

Foreclosed			
Only one factor must be present	Defined under October 6, 2008 Federal Register Notice	Only ONE factor must be present	Defined under April 10, 2010 Federal Register Notice
	Mortgage foreclosure proceedings have been completed		Delinquency status at least 60 days delinquent
	Tax foreclosure proceedings have been completed		Tax payments are at least 90 days delinquent
	Deed in lieu of foreclosure has been completed		Foreclosure proceedings have been initiated or completed Foreclosure proceedings completed and title transferred to an aggregator or servicer





Discount/Appraisal Requirements

When tax payments are 90 days delinquent , a property could be defined as either “foreclosed” and “abandoned”

- However, if the property meets both the definitions, the property should be considered “**foreclosed**” and the NSP discount and appraisal requirements would apply.





Short Sales Under NSP

Definition: sale of real property approved when lender agrees to accept sales proceeds to satisfy outstanding mortgage loan when the sale amount is less than the amount the borrower owes on the loan.

- Not a foreclosure prevention strategy





Short Sales and NSP Tenant Protection Requirements

- Recovery Act bona fide tenant requirements apply
- Short sale could result in grantee becoming the initial successor in interest (ISII).
- NSP Tenant Protection Requirements still apply (see separate guidance for more discussion of these requirements)





Short Sales and the URA

- Short-sales will usually be voluntary acquisitions
- If short-sale is involuntary URA Real Property Acquisition requirements apply





Relocation Requirements under the URA

- An owner-occupant is not eligible for relocation assistance and payments in a voluntary acquisition
- Tenant-occupants (residential or nonresidential) displaced as a result of a voluntary acquisition may be eligible for relocation assistance and payments under the URA.





Retroactivity for NSP1

- NSP grantees may apply the new definitions as of the date of submission of their Substantial Amendment and Action Plan to HUD, regardless of the current status of acquisition, redevelopment or disposition activities already undertaken
- However, **any such activities must have met all NSP requirements at the time of purchase.**





Retroactivity for NSP1: An Example

- Grantees that acquired a property via short sale in 2009 may now use NSP funds to reimburse themselves for the purchase of that property.
- It could also mean that residential properties acquired as vacant, but not foreclosed or abandoned, may now count toward the 25% low-income set-aside under the new definitions.





Aggregators and Servicers

- The Notices also allow the purchase of properties on which foreclosure proceedings have been completed and for which title has been transferred to “an intermediary aggregators or servicer that is not an NSP grantee, contractor, subrecipient, developer, or end user.”

